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ARIZONA DEPARTMENT OF REVENUE

1981-1982 Annual Report

J. ELLIOTT HIBBS
DIRECTOR

BRUCE BABBITT
GOVERNOR

Arizona Department of Revenue

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1700 W. WASHINGTON
PHOENIX, ARIZONA 85007

The Honorable Bruce Babbitt
Governor of Arizona
State Capitol
Phoenix, Arizona 85007

Dear Governor Babbitt:

Fiscal 1981-82 was a year of challenge and success at the Department of Revenue.

The biggest challenge sprang from a recession that, as of this writing, is expected to usurp one-quarter billion dollars from the state's General Fund. The department met the recession's challenge in two ways during the 1981-82 FY: we endured budget cutbacks and improved procedures to increase efficiency so we can raise more money for the state.

A new department-wide training system, faster document processing, upgraded computer equipment, strides in property appraisals and major new programs in auditing and collections are among our successes of the past year. The average income tax assessment skyrocketed from $59,969 per auditor in 80-81 to $151,540 in 81-82. Phone and field collections of delinquent taxes leaped from $10.9 million to $16.2 million -- a 49 per cent increase. And our new Tax Compliance Section prepared its first cases for criminal prosecution by the Attorney General's Office, which already has sent one tax cheater to jail. Although these and many other success stories show up in this annual report, much of the effort in the past fiscal year laid groundwork for improved efficiency that will reap benefits in the months and years ahead.

The new year presents an even greater challenge than 81-82 did, for the department must shoulder responsibility for providing the bulk of the state's income during the greatest financial squeeze in memory. It is important to remember that in the Department of Revenue, increased positions mean increased revenue. For every dollar we spend on auditors, $14 is produced. For every dollar we spend on tax collections, $25 is produced.

We stand ready to play a bigger role in helping the state's financial picture while ensuring every taxpayer pays his or her fair share of the tax burden.

Sincerely,

J. Elliott Hibbs

J. Elliott Hibbs, Director

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THE ARIZONA DEPARTMENT OF REVENUE
1981-82 HIGHLIGHTS

The 1981-82 fiscal year was filled with progress for the department in spite of a 5% cut in the agency's appropriation during the year. Each of the three divisions contributed to the successful year.

Administration

Income tax processing. This year's income tax processing season was the most successful ever experienced by the Department. For the first time, all revenue received by April 15 was deposited by April 30 compared to May last year. By July 1982, 1,044,808 returns had been processed, a 10 per cent increase over the 950,504 returns processed last year at the same point. In addition, between January and July, 64,500 more refunds were issued this year than last year. No additional FTE's were needed for this achievement.

On-line error resolution became a reality for income tax season this year. Processing time was reduced greatly, meaning faster refunds on returns with errors; the majority of these were issued within seven weeks, and the average was three weeks.

An estimated income tax payment system was put into place in October 1981 as required by statute. This optional tax planning tool allowed individual taxpayers to make $16.5 million in estimated payments against 1981 tax liabilities. Another system required by statute was monthly withholding payments for certain taxpayers which was implemented for withholding tax collected in April 1982.

The corporate accounts receivable system advanced from a completely manual process to semi-automated during this year.

Sales Tax Processing. The sales tax system took a big step forward with the upcoming implementation of a new computerized accounts receivable system. This system will include on-line inquiry and will have several enhancements including on-line error resolution.

The forms analysis section, in conjunction with other areas of the department, redesigned the sales tax return, greatly streamlining the form and shortening it from five pages to one page for most taxpayers. A revised sales tax processing system which would accept the new form was operational for the first mailing in May.

To help research sales tax payments, data processing completed and installed a sales tax microfiche program to accumulate payments for 12 months on a monthly basis.

Controls. A financial controls study was completed and implemented in January resulting in improved audit trails and tighter financial responsibility. Revised record control procedures were implemented which improved document security and ability to locate tax documents. During the year, 95% of all administration procedures were reviewed, updated, or rewritten to improve accuracy in processing.

Data Processing. During 1981-82, bid procedures were completed for acquisition of a new computer for the department. The 1982-83 year will be spent preparing for the conversion which is due to be completed in 1984. A long-term philosophy for system development was completed for future new development. Expected benefits include systems that provide the same type of information and processing for each tax. A five-year plan for data processing systems development was also completed.

Training. The department's first full-time training officer came on board in October 1981. Between October and June 30, 1982, 339 staff received training on topics such as personnel performance evaluation, public contact and communication, productive group techniques, effective writing, and time management. Self-teaching manuals were developed for taxpayer services, processing staff and other areas where great amounts of information must be learned in short periods of time. Planning was completed and development began for an extensive auditor training program which will include screening auditor applicants, sophisticated audit techniques and assessment mechanisms.

Property and Special Taxes

Guidelines for County Assessors. Division personnel assisted county assessors in valuing complex locally assessed properties such as smelters, paper mills, saw mills, and other industrial facilities and pursued appeals on major issues which were inconsistent with appraisal guidelines or uniformity standards. Internal appraisal and assessment performance audits were performed in three counties (Maricopa, Pima and Navajo). From the Maricopa audit, it was estimated that between $500 million and $834 million in escaped properties exist in the county. Review audits were completed in two counties (Apache and Coconino). The department developed new or improved manuals for property appraisal and assessment, including the Land Appraisal Manual, Personal Property Appraisal Manual, and Mapping and Parceling Manual. Guidelines on applying the income approach in appraisals were drafted. A computer-oriented personal property system was developed to reduce the reporting required from property owners.

Centrally-Valued Properties. The staff completed appraisal of centrally valued properties, including natural resources

(producing mines, producing oil and gas interests) valued at approximately $993 million and railroad, utility, and other properties valued at about $8.2 billion. Field audits were done on two major copper smelters and five major private car companies, and desk audits were finalized on 240 other private car companies and 14 major airlines. Extensive analysis of capitalization rates (ratios of income to value) was completed for centrally valued properties, and guidelines were prepared for capitalization rate analysis. A new model for valuation of water utility property was developed for use in addition to other valuation methods.

Appraiser Certification Program. Over 350 participated in education and training courses offered throughout the state in the appraiser certification program. Certification courses increased about 10% statewide as the emphasis shifted from basic certification to the more complex and time-consuming intermediate courses. Forty-four persons received the basic certification and 43 were certified at the intermediate level.

Computer-assisted Appraisal. Implementation of market area identifiers was completed, including sub-areas for all counties except Maricopa. Market areas and sub-areas identify geographic areas for use in developing market-based appraisal models and evaluating appraisal performance through the sales ratio analysis system. This improved accuracy of residential mass appraisals.

Central Information Services. This section provided coordination and assistance to nine counties to apply data processing and produce property assessment and tax rolls. The result was the timely and accurate production of about 500,000 1981 tax statements for properties in those nine counties. In April 1982 a tenth county (Yavapai) was added to the list. For the second year, CIS did all the processing for the additional state aid to education including calculating and verifying reduction rates. During the next year the state's newest county will be added to this section's responsibilities.

Taxation

Audit. This year brought dramatic success for the Federal Match-Off Program. In this program, a list of Arizona residents filing federal returns is matched against those filing state returns. Any who have not filed state returns are contacted. Collections of $828,006 were more than three times the objective. The section also implemented a formal in-house training program during the year. Audit assessments during 1981-82 were $37,201,921, a 7.9% increase over the prior year. Number of audits increased 56.1% to 24,444. The section's reorganization is progressing with the Administrative Services Unit created this year. Plans for the coming year include establishing a unit to concentrate on non-filers, staffing of the Technical Services Unit and shifting training to audit techniques and reports.

Collections. Phone and field collection staffs in Phoenix and Tucson added to state revenues by collecting $16,234,723 from delinquent taxes, a whopping 48.9% increase over 1980-81 collections of $10,899,786. Through combined efforts with the Liquor Control Board, the liquor enforcement area collected $838,782, reflecting a 29.8% increase over last year's $646,122. Processing of N.S.F. checks resulted in $1,366,308 this year compared with $1,186,491 last fiscal year. Net recoveries from tax claims on bankruptcies were $321,439. In addition, $190,667 was collected from denied penalty waivers and interest associated with approved or denied penalty waivers. Subpoenaing taxpayer records resulted in $36,771. Finally, title companies paid off $86,464 in liens. Total collections were $19,075,154.

Taxpayer Services. This section responded to 20,100 inquiries this year, a 19.4% increase over last year. In addition, nine seminars were conducted in conjunction with the Small Business Administration to familarize taxpayers with the requirements of Arizona law. The budget pinch is placing a critical squeeze on resources in this section and all walk-in taxpayer assistance will be eliminated.

Luxury. Luxury tax assessments were $214,000 during 1981-82, a 26.5% increase over 1980-81 assessments.

Compliance. The compliance section became fully staffed during the fiscal year -- no easy feat. Because of the complexity and difficulty of preparing fraud cases for prosecution, highly trained and specialized investigators had to be located. The section achieved its first conviction of a taxpayer after months of grueling work. Another five cases were fully investigated and prepared in ready-to-prosecute form for the Attorney General's office and another 69 cases were investigated. The section also trained auditors and collectors in fraud-detection techniques and recommended statute changes to facilitate prosecution.

Licensing. During 1981-82, 26,290 new sales tax licenses were issued. This is an 18.5% increase over 1980-81. Licenses for reissues and additional locations numbered 7,146, a 4% increase over last year.

REVENUE SUMMARY

Table 1
Gross Revenue Collected

SOURCE	1977-78	1978-79	1979-80	1980-81	1981-82
SALES & USE TAX					
Transaction Priv.	$ 247,838,898	$ 302,812,573	$ 344,755,193	$ 315,333,779	$ 339,048,243
Education Excise	240,826,672	292,999,847	335,360,847	306,054,592	326,825,752
Special Education	81,151,553	98,985,428	121,759,143	114,897,883	125,120,498
Use	8,647,600	10,657,575	15,267,048	14,016,182	13,795,054
Bingo	118,114	127,072	142,458	159,422	276,216
Rental Occupancy	169,562	155,854	147,904	241,993	113,272
Subtotal	$ 578,752,399	$ 705,738,349	$ 817,432,593	$ 750,703,851	$ 805,179,035
INCOME TAX					
Withholding	162,628,285	199,701,449	269,412,512	325,366,394	417,219,768
Individual	92,031,661	116,113,005	121,471,839	133,503,187	150,867,216
Corporation	66,307,381	92,608,295	117,764,492	130,378,605	122,024,168
Subtotal	$ 320,967,327	$ 408,422,749	$ 508,648,843	$ 589,248,186	$ 690,111,152
LUXURY TAX					
Spirituous Liquor	11,651,750	12,684,041	13,227,227	13,593,465	13,482,032
Vinous Liquir	2,073,566	2,361,719	2,480,932	2,632,740	2,967,247
Malt Liquor	5,424,077	6,009,779	6,386,712	6,574,829	6,891,524
Tobacco-All Types	38,005,160	38,977,667	41,232,502	40,083,323	42,222,950
Licensing	647	1,593	752	755	2,245
Subtotal	$ 57,155,200	$ 60,034,799	$ 63,328,125	$ 62,885,112	$ 65,565,998
ESTATE TAX					
Estate	4,398,836	8,475,196	12,258,772	10,139,409	12,637,301
Unclaimed Property	356,622	354,745	425,807	1,053,513	571,366
Escheated Estates & Unclaimed Div.	48,276	111,258	157,302	104,974	190,328
Subtotal	$ 4,803,734	$ 8,941,199	$ 12,841,881	$ 11,297,896	$ 13,398,995
FLIGHT PROPERTY TAX	2,064,993	2,053,858	2,507,401	5,585,255	3,217,110
PRIVATE CAR TAX	1,348,215	999,759	536,773	692,366	538,855
DEPARTMENTAL TOTAL	$ 965,091,868	$1,186,190,713	$1,405,295,616	$1,420,412,666	$1,578,011,145
STATE PROPERTY TAX	109,252,805	84,621,457	40,356,292	84,349,439	88,393,124
TOTAL*	$1,074,344,673	$1,270,812,170	$1,445,651,908	$1,504,762,105	$1,666,404,269

*All revenues including those which are eventually refunded or distributed to local governments. Does not include municipal sales tax.

Table 2
Net Revenue to State General Fund

Source	1977-78	1978-79	1979-80	1980-81	1981-82
Sales Tax	$432,879,957	$ 527,175,377	$ 613,572,917	$ 540,591,812	$ 580,882,821
**	50.28%	52.47%	55.01%	47.42%	46.93%
Income Tax	254,741,577	322,406,136	389,980,984	435,769,765	487,950,969
**	29.59	32.09	34.96	38.22	39.43
Luxury Tax	55,940,257	58,812,738	61,978,771	62,546,016	64,106,688
**	6.5	5.85	5.56	5.49	5.18
Estate Tax	4,627,365	8,745,622	12,601,638	10,554,080	12,569,641
**	.54	.87	1.13	.92	1.02
Flight Property Tax	2,064,993	2,053,858	2,507,401	5,585,255	3,217,110
**	.24	.20	.22	.49	0.26
Private Car Tax	1,348,215	999,759	536,773	692,366	538,855
**	.16	.10	.05	.06	.04
State Property Tax*	109,252,805	84,621,457	34,194,839***	84,349,439	88,393,124
**	12.69	8.42	3.07	7.40	7.14
Total Net Revenue	$860,855,169	$1,004,814,947	$1,115,373,323	$1,140,088,733	$1,237,659,208
	100.00%	100.00%	100.00%	100.00%	100.00%

*Deposited in the State General Fund by counties.
**Percentage of total General Fund revenues collected by Department of Revenue.
***The state property tax receipts declined because the state tax rate for fiscal year 79-80 was cut to .48 per $100 assessed valuation from $1.10 for the prior year.

INCOME TAX

Major Features

Arizona income tax calculations use federal adjusted gross income for individuals and federal taxable income for corporations as starting points to compute taxable income. Both individuals and corporations are allowed to deduct federal and state income taxes paid.

Individual rates are graduated from a minimum of 2% on individual income of $1,000 or joint income of $2,000, to a maximum of 8% on individual income over $6,000 or joint income over $12,000.

Arizona withholds individual income tax from wages at rates of 10%, 15%, or 20% of federal withholding. Corporate income tax is levied on Arizona taxable income at rates graduated from 2.5% on income under $1,000 to 10.5% on income over $6,000.

Tables in this section highlight income tax collections and distributions as well as two features of the individual income tax. The exemptions, deductions and credits which are indexed to inflation are shown in this section. Also several credits which directly reduce individual liability are included.

Distribution

State income tax collections are shared with the Arizona municipalities as Urban Revenue Sharing. Each year, 15% of net collections from two years prior are distributed to the cities and towns in the state. The remainder is deposited in the state general fund.

Table 3
Arizona Income Tax Collections

Source	1977-78	1978-79	1979-80	1980-81	1981-82	Percent of Net Collections in 1981-82
Withheld from Wages						
Gross Revenue	$162,628,285	$199,701,449	$269,412,512	$325,366,394	$417,219,768	
Refunds	31,509,365	45,119,383	70,936,406	94,131,315	128,411,544	
Charge-offs	34,366	65,297	99,717	153,624	112,643	
Net	$131,084,554	$154,516,769	$198,376,389	$231,081,455	$288,695,581	52.14
Individual & Fiduciaries						
Gross Revenue	92,031,661	116,113,005	121,471,839	133,503,187	150,867,216	
Refunds	221,316	226,893	319,415	273,281	337,335	
Charge-offs	86,809	138,294	189,340	180,803	240,763	
Net	$ 91,723,536	$115,747,818	$120,963,084	$133,049,103	$150,289,118	27.14
Corporations						
Gross Revenue	66,307,381	92,608,295	117,764,492	130,378,605	122,024,168	
Refunds	2,453,946	3,241,050	3,204,472	3,781,042	7,236,824	
Charge-offs	10,983	15,402	8,854	87,464	28,103	
Net	$ 63,842,452	$ 89,351,843	$114,551,166	$126,510,099	$114,759,241	20.72
Total Net Revenue	$286,650,542	$359,616,430	$433,890,639	$490,640,657	$553,743,940	100.00%

Table 4
Exemptions, Deductions, & Credits Indexed to Inflation

Tax Year	Personal Exemption	Blind Exemption	Age 65 and Over Exemption	Dependent Exemption	Standard Deduction %	Standard Deduction Limit[1]	Maximum Renter's Credit	Maximum Property Tax Credit
1977 (base year)	$1,000	$500	$1,000	$600	10	$500/$1,000	$ 50	225
1978	1,101	551	1,101	661	11	551/1,101	83[2]	248
1979	1,226	613	1,226	736	12	613/1,226	92	276
1980	1,422	711	1,422	854	14	711/1,422	107	320
1981	1,589	795	1,589	954	16	795/1,589	120	358

1) Amounts shown are for individual and married-filing-jointly returns.
2) Base for renter's credit changed to $75 in 1978.

Table 5
Selected Individual Income Tax Credits

Credit	1978-79 Claimants	1978-79 Credits	1979-80 Claimants	1979-80 Credits	1980-81 Claimants	1980-81 Credits	1981-82 Claimants	1981-82 Credits
Solar Energy Credit	2,839	$ 945,468	8,858	$ 4,588,755	14,322	$ 8,428,405	22,016	$14,285,334
Residential Insulation Credit	20,318	1,384,019	35,527	2,397,942	35,223	2,553,627	36,985	3,052,230
Property Tax Credit	49,425	10,568,921	52,691	12,522,066	53,622	15,003,388	52,600	16,462,823
Renter's Credit	147,566	11,150,767	184,204	15,461,802	209,481	20,663,868	243,563	26,653,372
Total Credits		$24,049,175		$34,970,565		$46,649,288		$60,453,759

Table 6
Distribution of Income Tax Urban Revenue Sharing to Municipalities in 1981-82

Cities by County	Amount	% of Total
APACHE		
Eager	$ 90,217.60	.1386
Springerville	46,935.14	.0721
St. Johns	108,464.92	.1667
COCHISE		
Benson	135,439.66	.2081
Bisbee	231,249.54	.3553
Douglas	422,093.36	.6485
Huachuca City	53,691.04	.0825
Sierra Vista	822,739.44	1.2641
Tombstone	52,753.60	.0811
Willcox	104,828.42	.1611
COCONINO		
Flagstaff	1,121,401.70	1.7230
Fredonia	33,617.42	.0517
Page	158,616.36	.2437
Williams	73,247.30	.1125
GILA		
Globe	217,791.62	.3346
Hayden	38,951.00	.0598
Miami	87,793.34	.1349
Payson	163,820.56	.2517
Winkleman	34,264.00	.0526
GRAHAM		
Pima	51,686.90	.0794
Safford	226,594.82	.3482
Thatcher	109,062.90	.1676
GREENLEE		
Clifton	137,217.60	.2108
Duncan	19,491.72	.0299
MARICOPA		
Avondale	263,477.08	.4048
Buckeye	111,002.42	.1706
Chandler	959,165.00	1.4737
El Mirage	139,221.70	.2139
Gila Bend	51,234.34	.0787
Gilbert	184,799.18	.2839
Glendale	3,138,062.98	4.8216
Goodyear	88,795.36	.1364
Guadalupe	145,654.20	.2238
Mesa	4,927,967.74	7.5718
Paradise Valley	354,228.18	.5443
Peoria	396,309.12	.6089
Phoenix	25,526,790.68	39.2215
Scottsdale	2,858,229.56	4.3916
Surprise	120,344.14	.1849
Tempe	3,450,414.58	5.3015
Tolleson	143,294.52	.2202
Wickenburg	114,267.12	.1756
Youngtown	72,859.40	.1119
MOHAVE		
Kingman	299,227.96	.4598
Lake Havasu City	511,470.68	.7859

Cities by County	Amount	% of Total
NAVAJO		
Holbrook	$ 186,997.26	.2873
Show Low	138,930.64	.2135
Snowflake	113,459.00	.1743
Taylor	61,901.42	.0951
Winslow	256,042.40	.3934
PIMA		
Marana	54,111.24	.0831
Oro Valley	48,131.18	.0740
South Tucson	211,854.80	.3255
Tucson	10,684,444.85	16.4165
PINAL		
Apache Junction	321,144.02	.4934
Casa Grande	483,930.14	.7436
Coolidge	221,455.18	.3403
Eloy	201,704.82	.3099
Florence	109,612.42	.1684
Kearny	85,530.66	.1314
Mammoth	61,610.46	.0947
Superior	148,692.68	.2285
SANTA CRUZ		
Nogales	506,945.16	.7789
Patagonia	31,678.02	.0487
YAVAPAI		
Chino Valley	92,383.40	.1419
Clarkdale	48,874.62	.0751
Cottonwood	147,076.44	.2260
Jerome	13,576.30	.0209
Prescott	648,268.02	.9961
Prescott Valley	73,829.16	.1134
YUMA		
Parker	82,168.84	.1263
San Luis	62,903.50	.0967
Somerton	186,221.44	.2861
Welton	29,447.58	.0452
Yuma	1,371,884.32	2.1079
TOTAL	$65,083,595.87	99.9999

Table 7
Urban Revenue Sharing
1974-75 through 1981-82

1974-75	$21,904,029.60
1975-76	26,558,140.20
1976-77	30,313,600.01
1977-78	31,405,354.86
1978-79	36,356,904.78
1979-80	42,997,581.12
1980-81	53,942,464.77
1981-82	65,083,595.87

SALES TAX

Major Features

Arizona's sales tax is imposed on the privilege of transacting business in the state. The rate ranges from 3/8 of 1% to 4% depending on the type of business; however, most sales are taxed at a 4% rate. The total sales tax rate is a combination of three separate taxes: transaction privilege tax, education excise tax and special education excise tax.

Three additional taxes ususally considered to be sales taxes are use tax, bingo tax and rental occupancy tax. Use tax is imposed at 4% on all purchases of tangible personal property for which a sales tax was not paid. Arizona businesses using items from their inventory are also subject to use tax. Bingo tax revenues are a combination of license fees, a 2.5% lieu tax on net proceeds of small bingo games and a 1% tax on gross proceeds of games with sales over $300 per week. Rental occupancy tax is levied at 2% on real property on a long-term lease entered into before December 1, 1967.

Distribution

The transaction privilege tax is shared with municipalities and counties in the state. Twenty-five percent of the tax goes to the cities and towns based on population. Another 33.6% of the transaction privilege tax is distributed to counties by a formula based on assessed valuation and sales in each county. Since 1980 cities and counties have also been reimbursed from the transaction privilege tax for their loss due to the removal of tax on food. The remainder of the transaction privilege tax goes to the state general fund. All other sales taxes are deposited in the state general fund.

Municipal Sales Tax Collection Program

The Arizona Department of Revenue is authorized to contract with Arizona cities and towns to administer the collection of municipal sales tax. The Department collects the local taxes and remits the amount collected to each city weekly.

Table 8
Gross Sales Tax Collected

Source	1977-78	1978-79	1979-80	1980-81	1981-82
Transaction Privilege Tax	$247,838,898	$302,812,573	$344,755,193	$315,333,779	$339,048,243
Education Excise	240,826,672	292,999,847	335,360,847	306,054,592	326,825,752
Special Education	81,151,553	98,985,428	121,759,143	114,897,883	125,120,498
Use	8,647,600	10,657,575	15,267,048	14,016,182	13,795,054
Bingo	118,114	127,072	142,458	159,422	276,216
Rental Occupancy	169,562	155,854	147,904	241,993	113,272
TOTAL	$578,752,399	$705,738,349	$817,432,593	$750,703,851	$805,179,035

Table 9
Distribution of Sales Tax Collections
1981-82

Net to State General Fund	$580,882,821
Net to Cities	91,596,747
Net to Counties	129,829,407
Refunds/Charge Offs	2,870,060
TOTAL GROSS COLLECTIONS	$805,179,035

Table 10
Sales Tax Rates

	Taxable Activities	Privilege Tax	Education Excise Tax	Spec. Educ. Excise Tax	Total Tax
1	Transporting & Towing	1%	1%	2%	4%
2	Mining-Oil & Gas Production	1%	1/2%	1%	2-1/2%
3	Timbering	1%	1/2%	-	1-1/2%
4	Utilities	1%	1%	2%	4%
5	Communications	1%	1%	2%	4%
6	Railroads & Aircraft	1%	1%	2%	4%
7/8	Private Car/Pipelines	1%	1%	2%	4%
9	Publishing	1%	1%	2%	4%
10	Printing & Advertising	1%	1%	2%	4%
11	Restaurants & Bars	2%	2%	-	4%
12	Amusements	2%	2%	-	4%
13	Rentals of Real Property	2%	1%	-	3%
14	Rentals of Personal Property	2%	2%	-	4%
15	Contracting	1%	1%	2%	4%
16	Feed Wholesale	1/4%	1/8%	-	3/8%
17	Retail	2%	2%	-	4%

Table 11
Net Taxable Sales
By Sales Tax Classification

Classification	1978-79	% of Total	1979-80	% of Total	1980-81*	% of Total	1981-82	% of Total
Transporting and Towing	$ 9,252,765	0.05	$ 10,451,819	0.05	$ 8,766,996	0.05	$ 10,528,834	0.05
Mining, Oil and Gas Production	1,888,422,248	10.29	2,779,034,700**	13.04	1,646,989,150**	8.61	1,739,765,417	8.45
Timbering	80,091,775	0.44	64,626,605	0.30	65,815,726	0.34	56,331,787	0.27
Utilities	1,392,683,999	7.59	1,672,432,612	7.85	1,764,919,673	9.23	2,266,682,477	11.01
Communications	378,701,174	2.06	430,905,536	2.02	510,643,970	2.67	534,096,615	2.59
Railroads and Aircraft	26,607,459	0.15	30,983,438	0.15	34,081,122	0.18	38,823,556	0.19
Private Car and Pipelines	2,361,055	0.01	1,239,150	0.01	2,488,909	0.01	799,412	0.00
Publishing	151,068,462	0.82	183,890,400	0.86	209,765,944	1.10	226,195,356	1.10
Job Printing and Advertising	169,229,433	0.92	190,809,200	0.90	205,768,138	1.08	249,149,303	1.21
Restaurants and Bars	1,089,965,858	5.94	1,242,332,159	5.83	1,346,845,864	7.04	1,462,449,415	7.10
Amusements	118,592,689	0.65	133,072,758	0.62	154,804,841	0.81	184,061,602	0.89
Real Property Rentals	769,097,320	4.19	810,102,452	3.80	921,099,879	4.82	1,059,853,273	5.15
Personal Property Rentals	367,457,087	2.00	468,766,163	2.20	523,025,005	2.74	573,953,670	2.79
Contracting	2,279,148,658	12.42	2,397,908,515	11.25	2,254,556,937	11.79	2,164,763,985	10.52
Wholesale Feed	199,699,312	1.09	218,256,656	1.02	260,971,896	1.36	223,713,356	1.09
Retail	9,423,582,095	51.37	10,681,015,551	50.11	9,208,456,105***	48.16	9,793,526,874	47.58
TOTAL	$18,345,961,389	99.99	$21,315,827,714	100.01	$19,119,000,155	99.99	$20,584,694,932	99.99

* Due to filing date changes for sales tax, taxable income recorded in FY 1980-81 is not directly comparable with FY 1979-80. This is because collections for June 1981 did not represent a full month of taxable activity.

** Actual mining taxable incomes after adjustments were made in 1980-81.

*** Retail sales of food for home consumption not taxable, effective July 1, 1980.

Table 12
State Sales Tax Distribution to Counties for fiscal year 1981-82

County	Distribution of Transaction Privilege Tax	Food Tax Reimbursement*	Total Distribution**
Apache	$ 1,139,509	$ 166,776	$ 1,306,286
Cochise	2,802,096	416,978	3,219,073
Coconino	3,785,502	535,637	4,321,139
Gila	2,126,480	271,761	2,398,241
Graham	596,386	107,873	704,259
Greenlee	1,475,439	154,738	1,630,177
Maricopa	64,825,491	8,923,782	73,749,273
Mohave	2,553,280	418,665	2,971,944
Navajo	3,064,306	501,750	3,566,057
Pima	20,437,871	3,014,696	23,452,568
Pinal	3,833,919	484,520	4,318,439
Santa Cruz	918,422	156,632	1,075,054
Yavapai	3,028,978	489,992	3,518,970
Yuma	3,109,427	488,503	3,597,929
TOTAL	$113,697,106	$16,132,303	$129,829,409

County distributions are based on relative assessed valuation and sales in the county.

*Counties are reimbursed for 100% of their loss from removal of the tax on food.
**Figures may not add to totals due to rounding.

Table 13
State Sales Tax Distribution to Municipalities
for fiscal year 1981-82

County/City	Distribution of Transaction Privilege Tax	Food Tax Reimbursement*	Total Distribution
APACHE			
Eagar	$ 117,213	$ **	$ 117,213
St. Johns	141,023	11,904	152,927
Springerville	60,986	5,147	66,133
COCHISE			
Benson	175,983	4,481	180,464
Bisbee	300,470	25,359	325,829
Douglas	548,455	46,288	594,744
Huachuca City	69,761	5,888	75,649
Sierra Vista	1,065,113	89,802	1,154,915
Tombstone	68,569	5,798	74,367
Willcox	136,228	11,497	147,725
COCONINO			
Flagstaff	1,457,545	123,022	1,580,568
Fredonia	43,701	3,688	47,389
Page	206,095	17,394	223,489
Williams	95,170	8,032	103,202
GILA			
Globe	283,648	23,949	307,597
Hayden	50,602	4,271	54,873
Miami	114,083	9,628	123,712
Payson	212,862	**	212,862
Winkleman	44,512	3,757	48,269
GRAHAM			
Pima	67,152	**	67,152
Safford	294,457	24,852	319,308
Thatcher	141,726	11,961	153,687
GREENLEE			
Clifton	178,304	15,049	193,352
Duncan	25,312	2,136	27,448
MARICOPA			
Avondale	342,483	28,908	371,391
Buckeye	144,264	12,175	156,439
Chandler	1,246,329	105,187	1,351,517
El Mirage	180,889	15,267	196,155
Gila Bend	66,568	5,618	72,186
Gilbert	240,127	20,266	260,393
Glendale	4,078,294	344,214	4,422,508
Goodyear	115,365	9,737	125,101
Guadalupe	189,263	15,973	205,236
Mesa	6,403,398	540,432	6,943,830
Paradise Valley	461,253	38,951	500,204
Peoria	515,175	43,482	558,657
Phoenix	33,169,343	2,799,412	35,968,756
Scottsdale	3,714,871	313,539	4,028,411
Surprise	$ 156,359	$ 13,196	$ 169,556
Tempe	4,484,169	378,457	4,862,626
Tolleson	186,205	15,715	201,920
Wickenburg	148,493	12,532	161,025
Youngtown	94,671	7,990	102,661
MOHAVE			
Kingman	388,832	32,816	421,648
Lake Havasu City	665,264	56,162	721,426
NAVAJO			
Holbrook	242,974	20,506	263,480
Show Low	180,538	3,558	184,096
Snowflake	147,410	12,441	159,851
Taylor	80,432	6,793	87,224
Winslow	332,697	6,556	339,253
PIMA			
Marana	70,290	5,932	76,222
Oro Valley	62,563	5,280	67,844
South Tucson	275,264	23,232	298,496
Tucson	13,883,293	1,171,717	15,055,010
PINAL			
Apache Junction	417,294	35,219	452,513
Arizona City	26,163	1,218	27,380
Casa Grande	628,790	**	628,790
Coolidge	287,783	24,288	312,071
Eloy	262,077	22,119	284,196
Florence	142,419	12,020	154,439
Kearny	111,123	9,379	120,501
Mammoth	80,073	6,759	86,832
Superior	193,225	16,308	209,533
SANTA CRUZ			
Nogales	658,724	55,595	714,319
Patagonia	41,171	3,475	44,646
YAVAPAI			
Chino Valley	120,038	10,131	130,169
Clarkdale	63,515	**	63,515
Cottonwood	191,124	16,130	207,254
Jerome	17,715	1,499	19,214
Prescott	842,327	71,091	913,419
Prescott Valley	95,910	8,095	104,005
YUMA			
Parker	106,758	9,010	115,768
San Luis	81,730	3,287	85,017
Somerton	241,980	20,422	262,402
Wellton	38,253	3,234	41,487
Yuma	1,782,811	150,467	1,933,278
TOTAL	$84,597,049	$6,999,693	$91,596,742

(Figures may not add to totals due to rounding.)
City distributions are based on relative population.
*In 1981-82 cities were reimbursed for 60% of their loss from the removal of tax on food.
**No food tax reimbursement pursuant to ARS 42-1342.01.

Table 14
Municipal Sales Tax Collection Program
Collections by City for 1981-82

City	Rate	Collections	City	Rate	Collections
Apache Junction	1%	$ 798,463	Oro Valley	2%	$ 45,239
Avondale	1%	267,728	Page	1%	405,659
Benson	2%	189,345	Paradise Valley	1%	497,622
Bisbee	2%	565,384	Parker	2%	499,996
Buckeye	1%	285,323	Payson	2%	970,811
Casa Grande	1.5%	1,752,484	Pima	1%	27,091
Clarkdale	1%	20,887	Prescott Valley	1%	163,340
Clifton	1%	127,814	Safford	1%	662,504
Coolidge	1%	401,128	St. Johns	1%	164,794
Cottonwood	1%	532,374	San Luis	2%	255,606
Douglas	2%	1,637,501	Show Low	2%	1,009,524
Duncan	2%	54,571	Sierra Vista	1%	1,173,263
Eagar	2%	124,774	Snowflake	1%	112,234
El Mirage	2%	167,893	Somerton	1%	52,341
Eloy	1%	212,900	South Tucson	2%	757,125
Florence	2%	93,663	Springerville	2%	390,888
Fredonia	1%	39,280	Superior	1%	45,211
Gila Bend	2%	270,049	Surprise	1%	28,731
Gilbert	1%	167,283	Taylor	1%	24,845
Glendale	1%	6,270,944	Thatcher	1%	147,000
Globe	1%	490,526	Tolleson	1%	98,504
Goodyear	1%	510,570	Tombstone	2%	122,161
Guadalupe	2%	85,071	Wellton	2%	105,440
Holbrook	2%	850,169	Wickenburg	1%	359,799
Huachuca City	1%	36,460	Willcox	2%	398,735
Jerome	2%	30,604	Williams	2%	390,017
Kearny	1%	91,924	Winslow	2%	688,271
Kingman	2%	1,698,542	Youngtown	1%	143,162
Marana	2%	62,185	Yuma	1%	3,460,695
Miami	1%	95,945			
			TOTAL		$31,132,392

Table 15
Municipal Sales Tax Collection Program
1974-75 through 1981-82

Fiscal Year	Total Collections	Number of Cities in Program
1974-75	$ 7,200,000	31
1975-76	10,679,373	37
1976-77	12,979,383	40
1977-78	16,107,372	43
1978-79	20,708,038	50
1979-80	24,024,045	52
1980-81	27,408,078	57
1981-82	31,132,392	59

LUXURY TAX

The luxury tax on cigarettes and tobacco is levied on distributors at the rates shown below. The luxury tax on alcoholic beverages is levied on liquor wholesalers at the rates shown below. The net tax collections are deposited in the state general fund.

PRODUCT	LUXURY TAX RATE
Tobaccos	
Cigarettes	
package of 20 or fractional part	$ .13
Cigars	
Small cigars weighing not more than 3 lbs. per M, package of 20 or less	$ .02
Selling for 5¢ or less, each cigar	$ .00333
Selling for more than 5¢, each cigar	$ .01
Smoking tobacco, snuff, fine cut, chewing, etc. - per oz.	$ .01
Cavendish, plug & twist - per oz.	$ .0025
Alcoholic Beverages	
Spirituous Liquors	
per gallon	$2.50
Vinous Liquors - more than 24% alcohol	
per gallon	$2.50
Vinous Liquors - less than 24% alcohol	
per 16 oz. container or less	$ .0525
per gallon	$ .42
Malt Liquor (Beer)	
per gallon	$ .08
per barrel (31 gallons)	$2.48
Malt Extract - per pound	$ .15

Table 16
Luxury Tax Collections

Source	1977-78	1978-79	1979-80	1980-81	1981-82	Percent of Collections in 1981-82
Spirituous Liquor						
Net Revenue	$11,651,750	$12,684,041	$13,227,227	$13,593,465	$13,482,032	21.03
Vinous Liquor						
Net Revenue	2,073,566	2,361,719	2,480,932	2,632,740	2,967,247	4.63
Malt Liquor						
Net Revenue	5,424,077	6,009,599	6,386,712	6,574,829	6,891,216	10.75
Tobacco-All Types						
Gross Revenue	38,005,160	38,977,667	41,232,502	40,083,323	42,222,950	
Refunds/Charge-offs	1,214,943	1,221,881	1,349,354	339,096	1,459,002	
Licenses	647	1,593	752	755	2,245	
Net Revenue	36,790,864	37,757,379	39,883,900	39,744,982	40,766,193	63.59
Total Net Revenue	$55,940,257	$58,812,738	$61,978,771	$62,546,016	$64,106,688	100.00

ESTATE TAX

The Arizona estate tax is an excise tax on the transfer of property after death. Arizona does not impose inheritance or gift taxes. Estate taxes differ from inheritance taxes because the estate tax is imposed on the net taxable estate before distribution, whereas the inheritance tax is imposed at varying rates on shares of the estate received by beneficiaries.

The estate tax for an Arizona resident decedent is an amount equal to the federal credit for state death taxes reduced by the portion of such credit, if any, paid to another state and attributable to realty or tangible personal property in that state.

The tax for a non-resident decedent is that portion of the federal credit for state death taxes attributable to tangible personal property or realty owned by the decedent and located in the state.

Table 17
Estate Tax Collections

Source	1977-78	1978-79	1979-80	1980-81	1981-82	Percent of Collections in 1981-82
Estate Taxes	$4,398,836	$8,475,196	$12,258,772	$10,139,409	$12,637,301	
Refunds	54,782	46,695	141,112	239,068	334,585	
Net	4,344,054	8,428,501	12,117,660	9,900,341	12,302,716	96.42
Unclaimed Property	356,622	354,745	425,807	1,053,513	571,366	
Refunds	73,311	37,624	99,109	485,862	304,441	
Net	283,311	317,121	326,698	567,651	266,925	2.09
Escheated Estates	46,097	100,674	156,164	55,366	189,532	1.49
Unclaimed Dividends	2,179	10,584	1,138	30,722	796	
Refunds	2,179	1,971	22	0	0	
Net	0	8,613	1,116	30,722	796	--
Total Net Revenue	$4,673,462	$8,854,909	$12,601,638	$10,554,080	$12,759,969	100%

Table 18
Distribution of Estate Tax Collections
1981-82

Net to General Fund	$12,569,641.18
Net to Permanent School Fund	190,327.95
Total Net Collections	$12,759,969.13

PROPERTY TAX

Tax Base

In Arizona the property tax is an ad valorem tax, or tax on the value of property. For tax purposes, all properties in Arizona carry two values: limited value and full cash value. Taxes based on the limited value, called primary property taxes, are used to pay for the basic maintenance and operations of a jurisdiction. This value is limited in growth to 10% per year or, starting in 1983, 25 per cent of the difference between the prior year's limited value and the new full cash value, whichever is higher. The full cash value is unlimited and floats with the market. Taxes based on this value are referred to as secondary property taxes and are used to pay for bonded indebtedness, voter-approved overrides and special districts. Generally these are things that the local citizens agree to tax themselves for.

Arizona has a classified property tax system. All taxable property is classified according to its current use. Each class has a different assessment ratio which is the per cent of the value used as a tax base. The assessment ratios in 1982 are shown below.

Class	1982 Ratios
1. Airline flight property, producing mines, standing timber	52%
2. Telephone and telegraph property, gas, electric and water utilities, pipelines	44%
3. Commercial and industrial property	25%
4. Agricultural and vacant land	18%
5. Owner-occupied residential property	10%
6. Rental residential property	16%
7. Railroad and private rail car property	35%
8. Historic property	8%

Assessment Responsibility

Duties for property appraisal for ad valorem tax purposes are divided between the state and counties.

The Arizona Department of Revenue appraises utilities, railroads, producing mines and other complex or geographically dispersed properties. Values determined by the department for those properties are transmitted to the County Board of Supervisors for entry upon the county tax rolls for levy and collection of property taxes.

County Assessors, utilizing standards established by the department, are responsible for appraisal of most classes of property, including residential, commercial and industrial, and agricultural properties.

Tax Collection and Distribution

With the two exceptions noted below, County Treasurers collect all property taxes and distribute receipts to all the taxing entities. The state property tax collected by the counties is deposited in the State General Fund.

Taxes levied on airline flight property and private rail car property are collected by the Department of Revenue and deposited in the State General Fund.

Nuclear Plan Assessment

Beginning with 1981-82, the Department of Revenue was charged with collecting a special assessment from corporations constructing or operating commercial nuclear generating stations. The money supports development and maintenance of a state plan for off-site response to an emergency at a nuclear generating station. The Department of Revenue collected $300,000 for this purpose in 1981-82.

Table 19
Department of Revenue Property Tax Collections

Fiscal Year	Flight Property Tax	Private Rail Car Property Tax
1974-75	$2,205,999	$1,295,494
1975-76	1,782,664	1,389,157
1976-77	2,012,487	1,277,441
1977-78	2,064,993	1,348,215
1978-79	2,053,858	999,759*
1979-80	2,507,401	536,773
1980-81	5,585,255**	692,366
1981-82**	3,217,110**	538,855

*Assessment ratio lowered from 60% to 36%.
**Tax base revised.

Table 20
Net Assessed Valuation By County

County	1980 Limited Value (Primary)	1980 Full Cash Value (Secondary)	1981 Limited Value (Primary)	1981 Full Cash Value (Secondary)	1982* Limited Value (Primary)	1982* Full Cash Value (Secondary)
Apache	$ 130,318,746	$ 131,437,217	$ 144,439,051	$ 146,513,926	$ 192,190,712	$ 196,146,611
Cochise	232,280,709	236,415,915	247,885,278	256,960,520	259,849,779	271,152,739
Coconino	347,902,856	351,856,441	362,584,555	378,653,526	391,566,076	426,768,014
Gila	163,222,466	165,024,356	177,521,740	182,614,405	177,661,112	186,784,029
Graham	47,653,530	48,314,772	52,484,660	54,389,406	55,110,571	56,759,929
Greenlee	150,005,311	151,065,373	145,322,275	146,974,169	108,223,922	110,629,824
Maricopa	3,822,449,283	3,994,223,542	4,537,736,695	5,331,239,391	5,257,661,523	6,034,569,481
Mohave	221,561,990	225,817,997	247,300,545	263,616,190	266,702,791	295,850,474
Navajo	382,753,933	386,252,298	438,348,196	445,417,531	492,101,686	507,227,951
Pima	1,385,811,424	1,439,932,256	1,620,475,484	1,766,388,868	1,777,905,368	2,059,662,607
Pinal	311,151,804	318,106,724	310,362,899	322,494,744	305,818,135	318,118,781
Santa Cruz	53,443,294	57,063,321	58,533,054	71,183,690	62,782,295	72,286,975
Yavapai	259,710,113	271,626,310	298,652,070	336,504,561	316,080,100	355,579,310
Yuma	222,395,857	228,022,532	243,085,093	250,696,890	267,234,811	286,184,474
TOTAL	$7,730,661,316	$8,005,159,054	$8,884,731,595	$9,953,647,817	$9,930,888,881	$11,177,721,199

*1982 values include some estimates of unsecured personal property. Final values will be printed in the 1982 Abstract of Assessment Roll.

Table 21
Property Assessment Responsibility
1982

County	LIMITED NET ASSESSED VALUES*				FULL CASH NET ASSESSED VALUES*			
	Department-Valued		Assessor-Valued		Department-Valued		Assessor-Valued	
	Amount	% of County	Amount	% of County	Amount	% of County	Amount	% of County
Apache	$ 158,749,119	83%	$ 33,441,593	17%	$ 158,994,007	81%	$ 37,152,604	19%
Cochise	132,759,655	51%	127,090,124	49%	134,552,866	50%	136,599,873	50%
Coconino	238,536,436	61%	153,029,640	39%	239,643,769	56%	187,124,245	44%
Gila	98,348,033	55%	79,313,079	45%	98,658,833	53%	88,125,196	47%
Graham	11,979,378	22%	43,131,193	78%	12,711,743	22%	44,048,186	78%
Greenlee	91,923,402	85%	16,300,520	15%	92,237,174	83%	18,392,650	17%
Maricopa	1,224,608,186	23%	4,033,053,337	77%	1,227,329,691	20%	4,807,239,790	80%
Mohave	94,345,606	35%	172,357,185	65%	94,878,413	32%	200,972,061	68%
Navajo	381,402,673	78%	110,699,013	22%	381,546,307	75%	125,681,644	25%
Pima	488,453,211	27%	1,289,452,157	73%	492,090,186	24%	1,567,572,421	76%
Pinal	161,140,485	53%	144,677,650	47%	162,644,789	51%	155,473,992	49%
Santa Cruz	14,577,613	23%	48,204,682	77%	14,825,719	21%	57,461,256	79%
Yavapai	118,811,893	38%	197,268,207	62%	120,313,868	34%	235,265,442	66%
Yuma	75,139,986	28%	192,094,825	72%	76,910,021	27%	209,274,453	73%
TOTAL	$3,290,775,676	33%	$6,640,113,205	67%	$3,307,337,386	30%	$7,870,383,813	70%

*Does not include Salt River Project, airline flight property, or private rail car property.

Table 22
Average Property Tax Rates

Source	1978***	1979**	1980 Primary	1980 Secondary	1981 Primary	1981 Secondary	1982 Primary	1982 Secondary
School Districts*	$ 5.78	$ 6.28	$3.84	$ .96	$3.62	$ .83	$3.45	$ .86
Counties	2.57	2.70	2.23	.31	2.15	.19	2.11	.23
State	1.10	.48	1.25	-	.94	-	.75	-
Cities	.76	.74	.40	.32	.38	.30	.37	.30
Community Colleges	.82	.89	.84	.04	.77	.03	.79	.01
Special Districts	.28	.29	-	.41	-	.38	-	.46
TOTAL	$11.31	$11.38	$8.57	$2.03	$7.87	$1.73	$7.47	$1.86

*School district rate includes unorganized school districts.
**The 1979 tax rates were applied to adjusted net assessed valuation. Adjusted net assessed valuation is derived by dividing the net assessed valuation by a factor of 1.15; Laws 1979, Chapter 153, Section 6.
***The 1978 tax rates were applied to adjusted net assessed valuation. Adjusted net assessed valuation is derived by dividing the net assessed valuation by a factor of 1.05; Laws 1978, Chapter 211, Section 26.

Table 23
Summary of Primary Tax Levies
for 1982-83

	Net Assessed Valuation	State	County	Cities and Towns	Community Colleges	Schools	Unorganized School Districts	Total
APACHE	$ 192,190,712	$ 1,441,430	$ 1,175,631	$ -0-	$ -0-	$ 4,058,968	$ -0-	$ 6,676,029
COCHISE	259,849,779	1,948,873	7,539,249	570,721	3,664,680	6,953,392	-0-	20,676,915
COCONINO	391,566,076	2,936,746	3,328,607	2,042,584	-0-	12,746,428	5,753	21,060,118
GILA	177,661,112	1,332,458	5,725,586	699,351	-0-	7,133,408	-0-	14,890,803
GRAHAM	55,110,571	413,329	1,309,946	74,346	698,747	1,710,430	-0-	4,206,798
GREENLEE	108,223,922	811,679	693,975	4,140	-0-	3,969,352	-0-	5,479,146
MARICOPA	5,257,661,523	39,432,461	82,722,892	26,738,508	42,157,932	175,621,387	-0-	366,673,180
MOHAVE	266,702,791	2,000,270	6,571,654	886,521	2,500,644	10,958,620	-0-	22,917,709
NAVAJO	492,101,686	3,690,762	3,319,226	286,619	3,046,601	9,532,983	-0-	19,876,191
PIMA	1,777,905,368	13,334,290	70,081,062	2,557,000	12,981,000	71,377,652	121,941	170,452,945
PINAL	305,818,135	2,293,636	12,808,242	892,738	4,659,755	10,507,647	-0-	31,162,018
SANTA CRUZ	62,782,295	470,867	2,069,992	-0-	-0-	2,412,253	-0-	4,953,112
YAVAPAI	316,080,100	2,370,601	7,368,011	402,122	4,774,421	13,892,510	-0-	28,807,665
YUMA	267,234,811	2,004,261	5,238,329	1,682,941	4,155,602	11,135,258	-0-	24,216,391
GRAND TOTAL	$9,930,888,881	$74,481,663	$209,952,402	$36,837,591	$78,639,382	$342,010,288	$127,694	$742,049,020

AVERAGE STATE TAX RATE: $7.47

Table 24
Summary of Secondary Tax Levies for 1982-83

	Net Assessed Valuation	County	Cities and Towns	Community Colleges	Schools	All Other	Unorganized School Districts	Total
APACHE	$ 196,146,611	$ 98,269	$ -0-	$ -0-	$ 3,418,516	$ 366,526	$ -0-	$ 3,883,311
COCHISE	271,152,739	-0-	477,185	-0-	2,336,352	711,578	-0-	3,525,115
COCONINO	426,768,014	-0-	645,800	-0-	3,420,056	957,136	-0-	5,022,992
GILA	186,784,029	428,065	10,100	-0-	1,521,038	455,643	-0-	2,414,846
GRAHAM	56,759,929	-0-	-0-	109,263	928,473	71,871	-0-	1,109,607
GREENLEE	110,629,824	-0-	-0-	-0-	435,234	14,750	-0-	449,984
MARICOPA	6,034,569,481	9,655,311	27,194,575	-0-	53,228,599	29,446,299	1,060,503	120,585,287
MOHAVE	295,850,474	132,430	290,115	-0-	4,191,119	2,257,205	-0-	6,870,869
NAVAJO	507,227,951	207,523	85,725	-0-	6,774,454	1,766,778	-0-	8,834,480
PIMA	2,059,662,607	15,197,908	4,711,000	523,000	11,717,646	10,097,204	-0-	42,246,758
PINAL	318,118,781	-0-	79,718	513,890	3,051,544	1,503,795	-0-	5,148,947
SANTA CRUZ	72,286,975	-0-	-0-	-0-	828,373	511,550	-0-	1,339,923
YAVAPAI	355,579,310	-0-	218,915	298,590	2,038,529	1,682,810	-0-	4,238,844
YUMA	286,184,474	-0-	209,513	-0-	863,565	1,243,355	-0-	2,316,433
GRAND TOTAL	$11,177,721,199	$25,719,506	$33,922,646	$1,444,743	$94,753,498	$51,086,500	$1,060,503	$207,987,396

AVERAGE SECONDARY TAX RATE: $1.86

Review of 1982 Legislation
35th Legislature — Second Regular Session

Income and Withholding Tax

Chapter 2
SB 1006

Provides for the adoption into the Arizona Code of all changes in the Federal Income Tax Code and Estate Tax Code that were made in 1981, including their retroactive provisions. Further requires the addition to income of the federal two earner married couple deduction and any contributions deducted for discriminatory educational institutions except those established for the education of American Indians. Also eliminates the second installment payment of the income tax, beginning for tax year 1982, requires monthly withholding for firms with over $9,000 in withholding in the previous quarter, and changes the due date from the 30th to the 20th for monthly and quarterly filers.
Amended Sections 42-1501, 43-104, 43-401, 43-1021, 43-1046, and 43-1121, A.R.S., effective February 19, 1982. Amended Sections 43-326, 43-501, 43-504, 43-537, 43-570, 43-801, 43-802, 43-803 and 43-804, A.R.S., effective for tax years beginning from and after 12/31/81. Repeals Sections 43-502, 43-503, and 43-506, A.R.S., effective for tax years beginning from and after 12/31/81.

Chapter 50
SB 2084

Provides a clarification to the Laws of 1981, Chapter 132 that only businesses electing Sub-chapter S status in the 1979 transition year may carry forward net operating losses.
Amended Laws 1981, Chapter 132, Section 3 effective July 24, 1982.

Chapter 52
HB 2266

Allows withholding of military pay at the option of the taxpayer.
Amends Section 43-403, A.R.S., effective July 24, 1982.

Chapter 75
SB 1208

Provides for the indexing of the individual income tax brackets by the change in the Metro-politan Phoenix Annual Consumer Price Index beginning in tax year 1983.
Amends Title 43, Chapter 2, Article 4, A.R.S. by adding 43-253, and amends 43-1011 and 43-1012, A.R.S. effective for taxable years beginning from and after December 31, 1982.

Chapter 97
HB 2088

Allows the numbers in the optional tax table to be rounded to whole dollars.
Amends Sections 43-252 and 43-1012, A.R.S., effective July 24, 1982.

Chapter 126
HB 2518

Allows the subtraction of elected officials' retirement contribution from income, and an addition to income at a time of early withdrawal.
Amends Section 43-1021, A.R.S., as amended by Laws 1982, Chapter 2, Section 13, and amends 43-1022, A.R.S., effective April 14, 1982.

Chapter 186
HB 2027

Provides an income tax credit of 100% of the cost and installation of groundwater measuring devices purchased after June 12, 1980 as required by the Groundwater Management Act under 45-604. No more than one-third of the credit may be used in one year. The credit may be carried forward 5 years. Also provides that the device can be amortized its normal life and taken as a subtraction from income in lieu of the credit. Further exempts the sale and installation of groundwater measuring devices from the sales and use tax.
Amends Sections 43-1076 and 43-1164, A.R.S., for tax years beginning from and after December 31, 1982. Amends Sections 43-1310, 42-1312.01, 42-1371, 43-1022, 43-1122, A.R.S. Amends 42-1409, A.R.S., as amended by Laws 1982, Chapter 7, Section 2. Amends Section 43-1021, A.R.S., as amended by Laws 1982, Chapter 2, Section 13. Amends Title 43, Chapter 10, Article 3, A.R.S., by adding Section 43-1034. Amends Title 43, Chapter 10, Article 5, A.R.S., by adding Section 43-1076. Amends Section 43-1121, A.R.S., as amended by Laws 1982, Chapter 2, Section 15. Amends Title 43, Chapter 11, Article 6, A.R.S., by adding Section 43-1164. Provides for a repeal from and after December 31, 1986 of Sections 43-1034, 43-1076 and 43-1164, A.R.S.

Chapter 267
SB 1360

Allows a taxpayer to donate $2, $5, or $10, or any amount from his income tax refund, or any designated amount above his liability, to the Game, Non-Game, Fish and Endangered Species Fund, administered by the Game and Fish Department. The amount contributed may be deducted from income the following year.
Applies to tax years beginning from and after December 31, 1981, and ending on or before December 31, 1984.

Sales and Use Tax

Chapter 7
SB 1078

Grants a sales and use tax exemption for restaurant employee meals provided at no cost and consumed on the premises during the employees hours of employment.
Amends Section 42-1312 A.R.S.; amends 42-1409, A.R.S., as amended by Laws 1981, Chapter 130, Section 3 and Chapter 221, Section 33. Repeals Section 42-1409, A.R.S., as amended by Laws 1981, Chapter 72, Section 1, effective retroactively to September 30, 1981.

Chapter 20
SB 1076

Simplifies the process of refunding excess sales tax payments by authorizing the Division of Finance to pay refunds without having a specific authorization from the Attorney General's Office.
Amends Sections 42-1326 and 42-1715, A.R.S., effective July 24, 1982.

Chapter 48
SB 1196

Exempts all warranty contracts from the transaction privilege and education excise tax.
Amends 42-1312, A.R.S., as amended by Laws 1982, Chapter 7, Section 1, effective July 24, 1982.

Chapter 69
SB 1340

Corrects a technical error made in the 1978 Regular Session by increasing the stated use tax rate from two to four per cent. Laws 1978, Chapter 211, Sections 9 and 12 changed the use tax rate from two per cent to four per cent and eliminated the education excise tax component. Laws 1978, Chapter 60, Section 2, levied a use tax on the cost of tangible personal property provided under warranties and service contracts. The enactment did not account for the change in the use tax rate and by its terms levied the use tax at the old two per cent rate. The Department has been collecting the tax at the four per cent rate.
Amends Section 42-1408.01, A.R.S., effective retroactively to September 3, 1978.

Chapter 119
HB 2367

Exempts freight costs from the computation of gross income, receipts or proceeds used for the calculation of sales taxes when tangible personal property is ordered by a retailer and shipped directly from a manufacturer or supplier to a consumer.
Amends Section 42-1302, A.R.S., effective July 24, 1982.

Chapter 163
SB 1015

Exempts food, drink and accessory tangible personal property such as paper cups, paper plates, and napkins, from the sales and use tax when sold to Arizona public school districts for consumption on the school grounds during school hours.
Amends Section 42-1312, A.R.S., as amended by Laws 1982, Chapter 7, Section 1. Amends Section 42-1409, A.R.S., as amended by Laws 1982, Chapter 7, Section 2, effective July 24, 1982.

Chapter 173
SB 1164

Allows the sale of food by a community college to a student with a meal ticket to be exempt from the sales tax. Also exempts from the sales tax food consumed by or sold to patients at the Arizona Health Sciences Center.
Amends Section 42-1382, A.R.S., and Laws 1981, Chapter 321, Section 12, effective July 24, 1982.

Chapter 186
HB 2027

Provides a sales and use tax exemption for the sale and installation of groundwater measuring devices as required under A.R.S. 45-604. (See Chapter 186 under income tax.)
Amends Sections 42-1310, 42-1312.01, 42-1371 and 42-1409, A.R.S., effective July 24, 1982.

Chapter 188
SB 1085

Phases out the four per cent sales tax on advertising over a four year period. The tax rate will be three per cent in 1983, two per cent in 1984, one per cent in 1985, and eliminated after December 31, 1985. Also exempts from the sales tax proceeds of publications sold for re-sale effective retroactively from and after December 31, 1977.
Amends Sections 42-1310, 42-1314, 42-1361 and 42-1371, A.R.S., effective from and after December 31, 1982.

Chapter 228
HB 2419

Allows a three year carryforward against the severance tax for any unused mining excise tax credit.
Amends Section 42-227, A.R.S., and Laws 1980, Second Special Session, Chapter 8, Section 90.

Chapter 240
SB 1075

Makes transaction privilege tax licenses valid indefinitely, rather than renewable every five years, increases the license fee from $1 to $5, allows the Department to revoke a transaction privilege tax license for violation of the transaction privilege tax laws and rules. The Department must provide ten days written notice of a hearing.
Amends Section 42-1308, A.R.S., effective July 24, 1982.

Luxury Tax

Chapter 33
HB 2086

Explicitly allows the Department to issue luxury tax refunds and to write rules and regulations.
Amends Section 42-1202, A.R.S., effective July 24, 1982.

Chapter 149
HB 2276

Allows state agencies which require surety bonds to accept cash or alternatives to cash such as certificates of deposit issued by insured Arizona banks, savings and loan associations and credit unions. The State Treasurer may charge a fee of up to $10 to accept cash or alternatives to cash. The individual required to post the bond may receive interest on his cash or alternatives to cash.
Amends Title 35, Chapter 1, Article 3, A.R.S., by adding Section 35-155, effective July 24, 1982.

Chapter 297
HB 2307

Creates a domestic farm winery license, which is for the manufacture and sale of less than 7500 but more than 200 gallons of wine made from at least 75% Arizona grapes or fruit. These wines are subject to state luxury and sales taxes.
Amends Title 4, Chapter 2, Article 1, A.R.S., by adding Section 42-205.04, and amends Sections 4-101, 4-203, 4-209, 4-243.01, and 42-1205, A.R.S., effective July 24, 1982.

Bingo

Chapter 300
HB 2366

Deletes "tables and chairs" from the definition of "equipment" which is required to be owned by the bingo game licensee.
Amends Sections 5-401 and 5-406, A.R.S., effective July 24, 1982.

Severance Tax

Chapter 230
HB 2479

Replaces the current 2½% sales tax on mining levied on the value of the product as it leaves the state with a 2½% tax on the value of severed minerals and 1½% of the value of severed timber phased in over 3½ years. The bill has a built in floor which insures that a maximum 50% drop in liability will occur. The floor is the greater of the "weighted mineral value" which is the ratio of mining costs to total production costs, multiplied by the gross value of production or the "Arizona value" which is 50% of the gross value of production minus the out of state processing costs (the current base). The net severance base is phased in to the 50% level over 3½ years, while a temporary tax of 2½% on processing is phased out over the same period. To capture inventories a 2½% tax is imposed as of January 1, 1983 on all mineral inventories which were not previously taxed. Allows the mining excise tax credit to be applied against 40% of the severance tax from January 1, 1983 to June 30, 1983.
Amends Sections 42-1309, 42-1310, 42-1311, 42-1341, 42-1341.02, 42-1342, 43-1343 and 42-1371, A.R.S. Amends Section 42-1321, A.R.S., as amended by Laws 1981, Chapter 67, Section 10, Chapter 110, Section 2, Chapter 130, Section 2 and Chapter 207, Section 11. Repeals Section 42-1310.01, A.R.S., and amends Title 42, A.R.S., by adding Chapter 8.1. Effective December 31, 1982.

Property Tax

Chapter 19
SB 1071

This technical correction bill removes a reference to the Department of Revenue levying the state tax rate, changes an incorrect reference to the width of a mobile home which is liable for a license tax and not an ad valorem tax from forty feet to thirty-two feet, removes an obsolete reference to A.R.S. 42-147, deletes a reference to the Department of Property Valuation, and changes the wording on the statute that requires an agricultural lease affidavit from "attached" to "filed."
Amends Sections 42-207, 42-642, 42-706, 42-1601 and 42-1615, A.R.S., effective July 24, 1982.

Chapter 21
SB 1079

Increases by 20% the value of the widows, widowers, veterans and disabled property tax exemptions, and the amount of income that an individual may earn and still qualify for the exemption.
Amends Title 42, Chapter 2, Article 3, A.R.S., by adding Section 42-279. Effective March 31, 1982.

Chapter 71
SB 1367

Provides for an extension of the November 1 deadline for notification to the Department of changes in both new and existing taxing jurisdictions. The deadline cannot extend beyond February 15. For tax year 1982 the deadline for fire and sanitary districts was extended to May 15.
Amends Section 42-483, A.R.S., effective April 9, 1982.

Chapter 89
SB 1053

Allows a County Treasurer to grant a refund or forgive taxes billed to any religious or non profit organization for tax year 1981. Also includes a technical correction to Laws of 1982, Chapter 21, which omitted the disabled from the income requirements section of the widows, widowers, veterans and disabled persons property tax exemption.
Amends Section 42-279, A.R.S., as added by Laws 1982, Chapter 21, Section 1, effective April 14, 1982.

Chapter 116
HB 2346

Provides for the regulation of real estate time shares by the Real Estate Department and requires the seller to inform the buyer how the property will be taxed.
Amends Title 32, Chapter 20, A.R.S., by adding Article 9, effective April 14, 1982.

Chapter 156
HB 2435

Decreases the assessment ratio on historic property from 8% to 5% beginning with the 1983 tax year. Allows fees to be charged and establishes a program for historic preservation to locate, inventory and nominate historic properties.
Amends Sections 41-511.02, 41-511.04, A.R.S. Amends Title 41, A.R.S., by adding Chapter 4.2, and amends Sections 41-1352, 42-139 and 42-227, A.R.S., effective July 24, 1982.

Chapter 164
SB 1072

Sets the education qualifying tax rates for maintenance and operations at $1.73 for elementary and high school districts and $3.46 for unified districts, and $.45/$.90 for capital outlay. Reduces the state tax rate for education from 95¢ to 75¢, and sets the state tax rate for general purposes at zero.
Amends Sections 15-971 and 15-972, A.R.S., effective July 24, 1982.

Chapter 165
SB 1082

Requires the filing of personal property affidavits on or before May 1 of each year. Failure to file will result in a penalty of an additional ten per cent added to the value of the property. Any property which has escaped taxation is liable for the taxes due plus ten per cent of the amount. Any property found by the Assessor to have escaped taxation is liable for the taxes in the current year and the three prior years. If a taxpayer discovers escaped property and reports it to the Assessor, he is liable for the taxes in the current year and no penalty shall be assessed. Taxpayers claiming the inventory exemption must do so by May 1 of each year.
Amends Sections 42-223, 42-236, 42-252, and 42-275, A.R.S.; amends Title 42, Chapter 2, Article 2, A.R.S., by adding Section 42-274.01 and repealing Section 42-633, A.R.S., effective July 24, 1982.

Chapter 228
HB 2419

Drops the assessment ratio for Class 1 property (mines, flight property and timber) from 44% to 38% for tax year 1983. After 1983 the assessment ratios for Class 1 and Class 2 property (utilities) will be reduced by 2% per year through 1989. In 1990 the ratios will be 25%. The bill also allows a three year carryforward for the mining excise tax credit.
Amends Section 42-227, A.R.S., and Laws 1980, Second Special Session, Chapter 8, Section 90, effective January 1, 1983.

Chapter 232
HB 2369

Shopping centers must be appraised by the "replacement cost less depreciation" method unless the taxpayer submits income and expense data to allow the use of the "straight line building residual" income capitalization method. Upon appeal the method must also be used if the taxpayer so desires. The method uses a 10½ per cent cap rate adjusted annually, but which may not fall below 10%, a 35 year economic life and the effective tax rate for the most recent year. The bill also creates a Valuation Technical Advisory Committee to review differences in value generated by the two methods and to develop obsolescence factors for the "replacement cost less depreciation" method.
Amends Title 42, Chapter 1, Article 2, A.R.S., by adding Section 42-125, effective April 24, 1982.

Chapter 263
SB 1338

Requires community colleges to prepare their budgets on forms supplied by the Auditor General, to include any monies received in excess of their levy limit from the previous year, and to include SRP voluntary contributions when calculating the levy. County Assessors are required to submit the values to taxing jurisdictions at least 10 days prior to the date the jurisdiction is required to set their tax rate. Each jurisdiction must make the values public at least 7 days before the rate is set. Also requires any excess levy to be used to reduce the rate in the following year. Prohibits the governing body from altering the values after they have been made public, unless new values are submitted by the County Assessor. Allows the County Boards of Supervisors to compromise personal as well as real property if the cost of collection exceeds the amount of taxes due.
Amends Sections 9-244, 15-1461, 42-201, 42-301, 42-304 and 42-403, A.R.S.; Amends Laws 1981, Chapter 306, Section 2, and repeals Laws 1980, Second Special Session, Chapter 8, Section 89, Laws 1980, Chapter 218, Section 10, Laws 1980, Chapter 221, Section 9, Laws 1981, Chapter 306, Section 2, and Laws 1981, Chapter 317, Section 24. Effective July 24, 1982.

Chapter 301
HB 2368

Provides a partial exemption of fifty per cent of the assessment for property within a slum or blighted area as defined in statute and designated by a city or town. To qualify for the exemption the value of the property in the first year of development must be at least five times the property's full cash value in the prior year. To claim the exemption an affidavit must be filed with the County Assessor by October 1 of the year prior to the year for which the exemption is requested. Property which has been exempted and is subsequently found to be ineligible, is liable for a penalty equal to twice the amount of the taxes it would have otherwise paid. Requires a constitutional amendment as outlined in HCR 2020.
Amends Title 36, Chapter 12, A.R.S., by adding Article 4; amends Sections 42-271 and 42-272, A.R.S.; amends Title 42, Chapter 2, Article 3, A.R.S. by adding Section 42-279, and provides a conditional enactment.

Chapter 306
HB 2413

Provides for the creation of a community park maintenance district for the purpose of maintaining existing parks which are less than 160 acres in size and located in more than one county. Property taxes may be levied to cover district expenses and the board of directors of the park may collect fees and service charges.
Amends Title 11, Chapter 5, A.R.S., by adding Article 3. Effective July 24, 1982.

Administration

Chapter 6
SB 1080

Allows non-attorneys to represent taxpayers before the Department of Revenue.
Amends Sections 42-124.02, 42-745, 42-1214.04, 42-1214.09, 42-1333, 42-1338, 42-1415, 42-1516, 42-1717, 43-532, and 43-705, A.R.S.; effective July 24, 1982.

Chapter 59
SB 1073

Allows the Department to abate uncollectible tax balances and release related liens with the approval of the Attorney General.
Amends Section 42-104, A.R.S., effective July 24, 1982.

Chapter 88
SB 1392

Allows any city or town incorporated during 1981 to use county derived population estimates to determine their share of tax revenues. In the event of a U. S. Special Census prior to July 1, 1983, the census figure will be used to determine the revenue distribution.
Effective April 9, 1982.

Chapter 108
HB 2262

Requires any agency to consider and analyze the impact of proposed rules on small businesses. A small business is defined to have less than 100 full time employees or less than $4 million in gross receipts the previous year. The agency may use less stringent rules if possible, or to exempt the small business from the proposed rule.
Amends Title 41, Chapter 6, Article 1, A.R.S., by adding Section 41-1002.02, effective July 24,1982.

Chapter 281
HB 2198

Allows counties the option of using their own estimates of sales taxes in setting their budgets instead of the Department's estimates.
Amends Sections 42-1344 and 42-1728, A.R.S., effective July 24, 1982.

Chapter 311
HB 2483

Requires agencies to pay accounts due within thirty days or to pay interest on the unpaid balance.
Amends Title 35, Chapter 2, A.R.S., by adding Article 3, effective July 24, 1982.

Chapter 264
SB 1339

Provides more general language for the calculation of the expenditure limit for a jurisdiction approving a permanent base override or involved in the transfer of a governmental function, and procedures for calculating a new limit for community college districts. Additionally requires governing boards to submit estimates of their revenues and expenditures on forms supplied by the Auditor General before setting the tax rate.
Amends Sections 41-563, 41-1279.07 and 42-302, A.R.S., and amends Section 42-303, A.R.S., as amended by Laws 1977, Chapter 152, Section 15 and Laws 1981, Chapter 220, Section 1, effective April 27, 1982.

Chapter 2
HB 2002

Allows partnerships, sole proprietorships and Subchapter S corporations to take the commercial income tax credit for the installation of solar energy devices, retroactive to January 31, 1981. The credit is equal to thirty-five per cent of the cost of the device through 1983, after which the credit decreases to thirty per cent, and is repealed after the 1984 tax year. The commercial solar tax credit for corporations is equal to thirty-five per cent of the cost of the device through 1983 after which it decreases at a rate of five per cent per year and is repealed from and after 1987. There is a credit available for solar energy devices installed in houses by builders which is equal to thirty-five per cent of the cost of the device through 1983, after which the credit will decrease at a rate of five per cent per year until December 31, 1987, after which the credit will be repealed. The credit cannot exceed one thousand dollars and is transferrable by the builder to the purchaser of the residence if the builder has not used the credit. The credit may be carried forward five years. No credits will be allowed without proof of payment and installation.
Amends A.R.S. 43-1021 as amended by Laws 1982, Chapter 2, Section 13. Amends Title 43, Chapter 10, Article 5, by adding 43-1076. Provides a repeal of A.R.S. 43-1031, 43-1074, 43-1161, 43-1162 and 43-1077 from and after December 31, 1987. A.R.S. 43-1076 is repealed from and after December 31, 1984.

Legislation Recommended for 1983

INCOME TAX

1. Amend A.R.S. 43-344 through 43-347 to conform Arizona form 199 filing requirements to the federal form 1099 filing requirements, and to allow for the filing of a copy of the federal form 1099 in lieu of the Arizona form 199.

Purpose:

Arizona law requires businesses making certain payments to a taxpayer in excess of $300 during the calendar year to annually submit a state form 199 by February 16. Arizona corporations paying patronage dividends, rebates or refunds in excess of $100 during the calendar year are also required to file. Federal law requires a form 1099 for amounts in excess of $600 to be filed by March 1. By conforming to the federal requirements, Arizona businesses will only have one document to fill out.

2. Repeal A.R.S. 43-1141, Allocation of income, corporations, and adopt the Uniform Division of Income for Tax Purposes Act.

Purpose:

The income tax liability of corporations doing business in and outside of Arizona can be calculated by determining what income was earned in Arizona. For many companies it is very difficult to identify and separate specific earnings attributable to Arizona. Therefore, the total income of the corporation is allocated based on a formula designed to estimate Arizona earnings. This allocation formula exists in A.R.S. 43-1141, and uses the average of sales made in Arizona to total sales made, wages paid in Arizona to total wages paid, and property held within the state to total property held. The statute is very brief and does not provide sufficient detail to assure the consistent and equitable allocation of income. The Uniform Act (UDITPA), has been adopted by 22 states. The Act clarifies the components of the formula and the rules for allocation.

SALES TAX

1. Amend A.R.S. 42-1314 to eliminate the pyramiding of sales tax when tangible personal property is leased for re-lease, and to include "licensing" in the law which levies the sales tax on the lease or rental of real property.

Purpose:

When real property is rented or leased, and is then re-rented or re-leased, the sales tax is levied only once, on the person leasing or renting the property to the tenant in actual possession. If the person leasing or renting the property is not in the business of renting or leasing property, the tax is levied on the lessor nearest who is in the business of renting or leasing property. When tangible personal property, however, is rented or leased, and then re-rented or re-leased, the law allows for the levying of the sales tax twice. This creates a situation of pyramiding.

A taxpayer who rents or leases real property is liable for the tax on rental of real property. However, if a business "licenses" an organization to occupy space, but is not renting or leasing that space, the tax is not levied because the statute does not refer to "licensing." The insertion of the term "licensing" will include this arrangement in the situations to which the sales tax on the rental of real property applies, and correct the inequity which existed with those who are renting and leasing and paying the tax.

2. Amends A.R.S. 42-1301, 42-1302, and 42-1384 to exclude state and municipal transaction privilege and sales taxes from gross proceeds of sales and gross receipts when calculating sales tax liability.

Purpose:

A recent court case, U. S. vs. the California State Board of Equalization, stated that a sales tax which created an "economic incentive" to be passed on to the consumer could not be passed on if the sale were made to a tax exempt entity.

Arizona law contains a provision which requires a business to separately state the gross sales and the tax when calculating sales tax liability. Because the tax is separately stated, the Arizona sales tax could also be deemed to have an economic incentive to be passed along. The Department has requested an Attorney General's opinion to make this determination. To eliminate the need for a separate statement, and to preclude the loss of revenue from non-taxable entities, sales tax could be calculated by a method called "factoring." This method divides the gross receipts by 1.00 plus the applicable tax rate to determine tax liability. This would also eliminate the need for businesses to maintain records for both gross sales and sales tax.

SEVERANCE TAX

1. Make technical corrections to H.B. 2479, Chapter 230, the severance tax bill passed in 1982.

Purpose:

The severance tax bill, as passed, did not completely provide for the distribution of the severance tax revenues to the counties, the addition of the timbering classification to the phase-in of the tax, the distribution of the inventory tax, and the addition of the timbering classification to the phase-in of the inventory tax. These items are necessary to implement the bill and assure the proper distribution of the revenue to the counties.

ADMINISTRATIVE PROCEDURES

1. Conform procedures for all types of tax administered by the Department, with the exception of property tax, in the areas of statutes of limitations, deficiency assessments, appeals, protest funds, abatements, interest, civil penalties, criminal penalties, and offsets.

Purpose:

Under present law the statutes of limitations vary from two to four years, which requires the maintenance of separate systems for audit selection, deficiency assessments, and refunds. The proposed law would make the statutes of limitations more uniform. The current exceptions to the statutes of limitations are scattered throughout the statutes, and would be centralized in this proposal.

The current protest period for income tax is ninety (90) days and for all other taxes is thirty (30) days. The proposed legislation would allow a sixty (60) day protest period for all tax types. Appeals procedures would also be made uniform and centralized in the statutes. Standard procedures would be established for refunds, credits and abatements, and a procedure for offsetting balances would be implemented. Interest, now calculated as 12% per year for income taxes and 1% per month or portion thereof for all other taxes, would be increased to 18% per year and calculated as 1-1/2% per month or portion thereof.

Civil penalties would be standardized and criminal penalties instituted for the preparation of a false return, failure to pay sales or income tax, the filing of false claims, wilfull failure to collect, supplying a false statement or failing to furnish a statement to an employee, and supplying a false statement or failing to furnish information to an employer.

UNCLAIMED PROPERTY

1. Repeal Title 44, chapter 3.1, and insert the Uniform Unclaimed Property Act of 1981.

Purpose:

The Uniform Act provides for clearer treatment of each type of property covered under the unclaimed property statutes. The Act addresses the problems of (1) the time periods which must pass before property is presumed abandoned, (2) insufficient notice requirements for holders of unclaimed property, (3) disclosure by locator firms, (4) service charges on dormant accounts and abandoned property, (5) the disposition of worthless property, (6) out of state owners, and (7) the lack of penalties. The Act will be more specific than the former language, and is expected to increase compliance and collections.

PROPERTY TAX

1. Amend A.R.S. 42-124, 42-124.01, 42-124.03, 42-704, 42-745, 42-762, and 42-793 to provide a statutory appraisal date for properties valued by the Department of Revenue.

Purpose:

Centrally valued properties include mines, mills and smelters; producing oil, gas and geothermal resource interests; electric, water and gas utilities, and pipelines; microwave services; airline flight property; private car companies, railroad companies; and telephone and telegraph companies. Locally valued properties are valued as of January 1 of each year, however no statutory appraisal date exists for centrally valued property.

Establishing January 1 as the appraisal date for these properties will clarify whether evidence of change in value after the appraisal may be presented, and it will make centrally valued properties uniform with locally valued properties.

2. Make a technical correction to add the income of a spouse of a disabled person when qualifying for the widows, widowers, and disabled persons property tax exemption.

Purpose:

S.B. 1079, Chapter 21, subsequently corrected in S.B. 1053, Chapter 89, increased the exemption amounts, assessed value limits, and income limits for the property tax exemption for widows, widowers, and disabled persons. Income from all sources is counted to qualify for the exemption, pursuant to Article IX, section 2.3, Constitution of Arizona. S.B. 1079 and S.B. 1053, however, omitted the income from the spouse of a disabled person in the statutory language.

3. Amend A.R.S. 42-136 and 42-227 to move flight property from Class 1 to Class 7 (railroad properties) in compliance with the Airport and Airway System Development Act of 1982.

Purpose:

The Airport and Airway System Development Act of 1982, amended into the 1982 Federal tax bill, provides that states may not tax air carrier transportation property at a value that has a higher ratio to the market value of the air carrier transportation property than the ratio that the assessed value of other commercial and industrial property of the same type in the same assessment jurisdiction has to the market value of other commercial and industrial property. This requires that the annual calculation made for railroad property be extended to flight property. The proposed bill would move flight property into Class 7 property, for which that calculation is already made.